

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF DUKE ENERGY INDIANA, LLC FOR)
(1) APPROVAL OF ITS PROPOSED PLAN FOR)
DEMAND SIDE MANAGEMENT AND ENERGY)
EFFICIENCY PROGRAMS FOR 2020-2023; (2))
AUTHORITY TO RECOVER ALL PROGRAM COSTS,)
INCLUDING LOST REVENUES AND FINANCIAL)
INCENTIVES IN ACCORDANCE WITH IN. CODE §§)
8-1-8.5-3, 8-1-8.5-10, 8-1-2-42(A)AND PURSUANT TO)
170 IAC 4-8-5 AND 170 IAC 4-8-6; (3) AUTHORITY TO)
DEFER ALL SUCH COSTS INCURRED UNTIL SUCH)
TIME THEY ARE REFLECTED IN RETAIL RATES;)
(4) REVISIONS TO STANDARD CONTRACT RIDER)
66A; AND (5) INTERIM AUTHORITY TO CONTINUE)
OFFERING ITS CURRENT DEMAND SIDE)
MANAGEMENT AND ENERGY EFFICIENCY)
PROGRAMS UNTIL A FINAL ORDER IS ISSUED IN)
THIS CAUSE.)

CAUSE NO. 43955
DSM-08

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

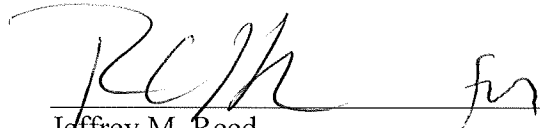
PUBLIC'S EXHIBIT NO. 2

TESTIMONY OF OUCC WITNESS

CALEB R. LOVEMAN

March 2, 2020

Respectfully submitted,



Jeffrey M. Reed
Attorney No. 11651-49
Deputy Consumer Counselor

TESTIMONY OF OUCC WITNESS CALEB R. LOVEMAN
CAUSE NO. 43955 DSM-08
DUKE ENERGY INDIANA, LLC

I. INTRODUCTION

1 **Q: Please state your name and business address.**

2 A: My name is Caleb R. Loveman, and my business address is 115 W. Washington
3 St., Suite 1500 South, Indianapolis, Indiana 46204. I am employed as a Utility
4 Analyst in the Indiana Office of Utility Consumer Counselor's ("OUCC") Electric
5 Division. A summary of my educational background and experience is included in
6 Appendix A attached to my testimony.

7 **Q: What is the purpose of your testimony?**

8 A: I provide an overview of Duke Energy Indiana, LLC's (hereafter "DEI" or
9 "Petitioner") adjustment to its retail electric rates through its Standard Contract
10 Rider No. 66A for the 2020-2023 Demand Side Management Plan ("DSM Plan").
11 I verified the accuracy of DEI's mathematical calculations deriving its proposed
12 DSM Plan Factors. OUCC witness Mr. John E. Haselden challenges many aspects
13 of the proposed DSM Plan and recommends the Indiana Utility Regulatory
14 Commission ("Commission") deny approval of DEI's proposed DSM Plan. I defer
15 to Mr. Haselden to explain his recommendations. Ultimately, I recommend the
16 Commission authorize DEI continued recovery of the most recently approved DSM
17 adjustment factor, subject to later reconciliation, until DEI receives Commission
18 approval of a new DSM Plan. I also recommend DEI book the correct plant-in-
19 service capital costs by removing the rebate given to customers for the Light

1 Emitting Diode (“LED”) fixture change outs in the Outdoor Lighting
2 Modernization Program proposed by DEI in future filings.

3 **Q: Please describe the review and analysis you conducted in order to prepare**
4 **your testimony.**

5 A: I reviewed DEI’s petition, testimony, exhibits, workpapers, and previous filings in
6 Cause No. 43955 DSM-07, DSM-06, and DSM-04. I also had informal discussions
7 with OUCC staff to discuss pertinent issues.

8 **Q: To the extent you do not address a specific item or adjustment, should that be**
9 **construed to mean you agree with Petitioner’s proposal?**

10 A: No. The absence from my testimony of a reference to any specific item or
11 adjustment proposed by DEI does not indicate my approval of that item or
12 adjustment. Furthermore, I am offering no opinion on the validity of the underlying
13 data offered by DEI, or the propriety of DEI’s proposed methodologies.

II. RELIEF REQUESTED

14 **Q: What accounting and ratemaking authority is Petitioner requesting?**

15 A: Petitioner requests approval of the following:

- 16 • Projected Program Year 2020 program costs, Evaluation, Measurement &
17 Verification (“EM&V”) costs and shareholder incentives as proposed in the
18 Petitioner’s proposed 2020-2023 DSM Plan;
- 19 • Reconciled actual costs and revenues for January 2018 through December
20 2018, as proposed in Cause No. 43955 DSM-07 (“DSM-07”); and
- 21 • Re-reconciliations for the application of additional EM&V results to 2018 lost
22 revenues as proposed in DSM-07; and

1 **Q: Please describe the 2020-2023 forecasted costs.**

2 A: In Cause No. 43955 DSM-08, DEI forecasts total costs for both residential and non-
3 residential of \$197,135,234 for the 2020-2023 DSM Plan. The total residential and
4 non-residential costs include: program costs, EM&V costs, incentives, and lost
5 revenues.¹

6 **Q: Please describe the 2020 forecasted costs.**

7 A: In Cause No. 43955 DSM-08, DEI forecasted total residential costs of \$20,028,136
8 and total non-residential costs of \$21,324,411 for the January 2020 through
9 December 2020 period.² This includes EM&V costs, program costs, and incentives.

10 **Q: As proposed by DEI, what impact will the DSM-08 factor have on a typical**
11 **residential customer's monthly bill?**

12 A: Petitioner's proposed DSM factor results in a \$0.52³ bill impact for a residential
13 customer using 1,000 kWh per month. This is a \$4.04 bill decrease in comparison
14 to the factor approved in Cause No. 43955 DSM-06 (\$0.52 vs. \$4.56)⁴ and a
15 decrease of \$1.88 compared to the factor proposed in DSM-07 (\$0.52 vs. \$2.40⁵).
16 The factor proposed by DEI in DSM-07 was approved by the Commission in its
17 Cause No. 43955 DSM-07 Order dated February 26, 2020.

¹ Direct Testimony of Timothy J. Duff, Petitioner's Exhibit 1, Page 9.

² Direct Testimony of Kathryn C. Lily, Petitioner's Exhibit 6-B(KCL), Page 1

³ Petitioner's Exhibit 6-C, (KCL), Page 2 of 2, Column E, Line 1.

⁴ *Id.* Column E, Lines 3 and 4

⁵ *Id.* Column E, Line 2.

1 **Q: Did you verify DEI's mathematical calculations deriving its proposed DSM-08**
2 **factor?**

3 A: Yes. I reviewed and verified the calculations in the schedules provided by DEI
4 witness Ms. Kathryn C. Lily in the current proceeding. Nothing came to my
5 attention indicating DEI's calculations were incorrect.

6 **Q: Did you prepare a schedule showing your calculation of the DSM-08 factor?**

7 A: No. Mr. Haselden addresses additional recommendations that affect the calculation
8 of the DSM-08 factor, therefore I did not prepare a schedule of my own.

III. OUTDOOR LIGHTING MODERNIZATION PROGRAM

9 **Q: Please describe the proposed Outdoor Lighting Modernization Program as**
10 **proposed by DEI.**

11 A: According to DEI witness Ms. Amy B. Dean, this proposed program will provide
12 a rebate to outdoor lighting customers to upgrade Company-owned lighting to LED
13 fixtures.⁶ DEI will offer rebates to its customers of different dollar amounts based
14 on the wattage of the lighting fixture changed out for the new LED fixture similar
15 to that offered in its non-residential prescriptive program for customer owned
16 lights.⁷

⁶ Direct Testimony of Amy B. Dean, Petitioner's Exhibit 2, Page 4, Lines 5-6.

⁷ *Id.* at Page 5 and Page 6, Lines 9-19 and Lines 1-2.

1 **Q: Does DEI propose any accounting treatment in regard to changed out**
2 **fixtures?**

3 A: No. It is not clear how DEI intends to account for these change-outs within its
4 accounting records or in any future filings.

5 **Q: Do you have a recommended accounting treatment for the changed out**
6 **fixtures?**

7 A: Yes. In any future base rate case filing by DEI, where the capital costs for DEI
8 owned lighting is updated, the capital costs booked as plant in-service should reflect
9 the actual cost of conversion, which is the material and labor to install the new
10 fixture less the rebate given to customers. This accounting treatment is the same
11 treatment proposed by Witness Mr. Jon C. Walter, in Indiana Michigan Power
12 Company Cause No. 45285.

13 **Q: Why do you recommend this treatment?**

14 A: Currently, DEI is earning a return of and a return on Company owned lighting
15 fixtures through its base rates. If approved, the rebate amount DEI is proposing to
16 offer its customers will be recovered through this DSM Plan filing and future
17 adjustment filings. DEI will also potentially earn a shareholder incentive and lost
18 revenues on this program. If this rebate amount is not removed when capital costs
19 are booked for the changed out fixtures in DEI's next base rate case, DEI will also
20 recover this rebate amount in base rates via depreciation expense and a return on
21 the assets over the life of the assets. Therefore, it is the OUCC's recommendation
22 that DEI be required to account for the capital costs of the changed out fixtures, as

1 described above, for Company owned lighting in any future base rate case filing
2 pertaining to this matter.

IV. TAX CUTS AND JOBS ACT OF 2017 (“TCJA”)

3 **Q: How does the TCJA affect this filing?**

4 A: The TCJA lowered the corporate tax rate to 21% effective as of January 1, 2018.
5 As a result, Petitioner updated its revenue conversion factor to reflect the 21%
6 federal income tax rate in a previous filing, Cause No. 43955 DSM-06. As proposed
7 by DEI and recently approved by the Commission in Cause No. 43955 DSM-07,
8 Petitioner calculated a residential refund of (\$739,695)⁸ and a non-residential
9 refund of (\$356,552)⁹ for the period January through August 2018. This refund was
10 incorporated as part of the DSM-07 Adjustment Factor which was reflected in the
11 calculation of the DSM-08 Adjustment Factor in this proceeding.

V. RECOMMENDATIONS

12 **Q: What are your recommendations regarding Petitioner’s proposed 2020 DSM**
13 **Adjustment Factors?**

14 A: During my review of Petitioner’s exhibits and workpapers, nothing came to my
15 attention that would indicate DEI’s mathematical calculations (based on its current
16 proposal) are incorrect. However, if the Commission rejects a portion of any
17 particular program, or finds the entirety of the 2020-2023 DSM Plan unreasonable
18 based on Mr. Haselden’s recommendations, the OUCC recommends the
19 Commission continue DEI’s interim program authority previously granted in this

⁸ Petitioner’s Exhibit 6-B (KCL), Page 3, Column E, Line 8.

⁹ *Id.* at Page 4, Column C, Line 21.

1 Cause, and continued cost recovery using the most-recently approved DSM
2 adjustment factor, subject to reconciliation, until a new DSM Plan is approved.

3 If Petitioner's Outdoor Lighting Modernization Program is approved, the
4 OUCC recommends the Commission require DEI to follow the accounting
5 treatment as outlined in section III of my testimony.

6 **Q: Does this conclude your testimony?**

7 **A:** Yes, it does.

APPENDIX A
QUALIFICATIONS OF CALEB R. LOVEMAN

1 **Q: Please summarize your educational background and experiences.**

2 A: I graduated from Franklin University in 2015 with a Bachelor of Science in Accounting.

3 From 2016 to 2019, I owned and operated an E-commerce business. In this role I was

4 responsible for all the accounting, finance, and tax related functions of the business. During

5 this time, I also worked as a Staff Accountant for Legacy Administration Services, LLC

6 and as a Financial Analyst for Cummins, Inc. I began my career with the OUCC in July

7 2019 as a Utility Analyst in the Electric Division. I review Indiana utilities' requests for

8 regulatory relief filed with the Commission. I also prepare and present testimony based on

9 my analyses and make recommendations to the Commission on behalf of Indiana utility

10 consumers. Since joining the OUCC, I have attended "The Basics" Practical Regulatory

11 Training for the Electric Industry, sponsored by the National Association of Regulatory

12 Utility Commissioners ("NARUC") and the New Mexico State University Center for

13 Public Utilities, in Albuquerque, New Mexico. I have also attended the 2019 Indiana

14 Energy Association ("IEA") Energy Conference and the 2019 Indiana Energy Conference

15 presented by the Indiana Industrial Energy Consumers, Inc. ("INDIEC").

16 **Q: Have you previously filed testimony in other Commission proceedings?**

17 A: Yes.

AFFIRMATION

I affirm, under the penalties for perjury, that the foregoing representations are true.



Caleb R. Loveman
Utility Analyst II
Indiana Office of Utility Consumer Counsel
Cause No. 43955 DSM-08
Duke Energy Indiana, LLC

3/2/2020

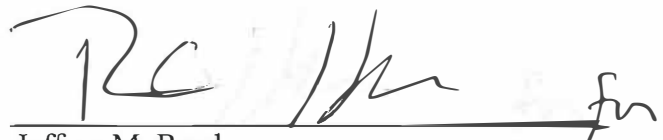
Date

CERTIFICATE OF SERVICE

This is to certify that a copy of the *OUCC Public Exhibit No. 2 Testimony of OUCC Witness Caleb R. Loveman* has been served upon the following parties of record in the captioned proceeding by electronic service on March 2, 2020.

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